

Message Text

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ORIGIN NEA-09

INFO OCT-01 ISO-00 SS-15 EB-07 SP-02 NSC-05 SSO-00 NSCE-00

INRE-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01

COME-00 DODE-00 FPC-01 H-02 INR-07 INT-05 L-02

NSAE-00 OMB-01 PM-03 SAM-01 OES-03 STR-04 TRSE-00

FRB-03 PRS-01 /085 R

DRAFTED BY NEA/ARP:FMDICKMAN:GLG

APPROVED BY NEA:SSOBER

S/S:JPMOFFAT

EB - S. BOSWORTH

E - MR. ROBINSON

S/P -C.FRANK

NSC - MR. HORMATS

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FM SECSTATE WASHDC

TO AMEMBASSY JIDDA IMMEDIATE

S E C R E T STATE 072746

E.O. 11652: GDS

TAGS: ENRG, SA, US

SUBJECT: TACTICS FOR FORTHCOMING PREPCON AND CONSUMER/
PRODUCER CONFERENCE

1. AT EARLIEST OPPORTUNITY AND PRIOR TO DEPARTURE SAUDI
DELEGATION FOR PREPCON, YOU SHOULD MEET WITH OIL MINISTER
YAMANI TO CONVEY OUR VIEWS AND TO DISCUSS WHAT WE SEE AS
CONTRIBUTING TO A SUCCESSFUL CONFERENCE.

2. FIRST EXPRESS OUR PLEASURE THAT YAMANI WILL CONTINUE AS
MINISTER OF PETROLEUM UNDER KING KHALID AND ASK IF PRINCE

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SAUD IS STILL SCHEDULED TO REPRESENT SAG AT THE PREPCON.

BECAUSE OF THE VERY SPECIAL RELATIONSHIP BETWEEN OUR TWO COUNTRIES, OUR POSITION AS THE WORLD'S LARGEST OIL IMPORTERS, AND SAUDI ARABIA'S POSITION AS A PRODUCER WITH CONSIDERABLE DISCRETIONAL ABILITY TO SWING ITS PRODUCTION UP OR DOWN, WE BELIEVE WE WILL JOINTLY BENEFIT THROUGH CLOSE CONSULTATION AND COOPERATION. WE ARE WELL AWARE THAT SAUDI ARABIA WILL PLAY A VERY SIGNIFICANT ROLE AND WE WANT TO MAINTAIN CLOSE CONTACT WITH THE SAUDI DELEGATION IN PARIS.

3. YOU SHOULD MENTION TO YAMANI THAT WE ARE ALSO WELL AWARE OF SAUDI INTEREST IN MAKING A PRODUCER/CONSUMER CONFERENCE A SUCCESS. WE ASSUME THE SAUDIS (LIKE OURSELVES) DO NOT WANT TO SEE THE CONFERENCE DEGENERATE INTO POLEMICS OR END UP IN A PRODUCER-CONSUMER CONFRONTATION. WE FEEL THIS IS EVEN MORE IMPORTANT NOW WITH THE NEW LEADERSHIP IN THE KINGDOM FOLLOWING FAISAL'S ASSASSINATION. AS YAMANI KNOWS, WE HAVE BEEN RELUCTANT TO GO ALONG WITH ANY PRODUCER/CONSUMER CONFERENCE UNTIL BOTH SIDES WERE VERY WELL PREPARED BECAUSE WE THOUGHT IT WOULD FAIL OTHERWISE. IF THE PREPCON AND A FUTURE CONFERENCE ARE TO SUCCEED, MUCH WILL DEPEND ON WHETHER WE CAN AGREE ON AN AGENDA BOTH SIDES CAN LIVE WITH.

4. AS YAMANI KNOWS FROM HIS LAST MEETINGS WITH THE SECRETARY IN RIYADH, WE INTEND THE AMERICAN APPROACH TO BE COOPERATIVE. THE SECRETARY IN HIS LATEST PRESS CONFERENCE ON MARCH 26 SAID: QUOTE: WE BELIEVE THAT THE CONSUMER-PRODUCER CONFERENCE IS BEING CONDUCTED IN THE INTERESTS OF BOTH SIDES FOR THE COMMON BENEFIT, FOR THE INTEREST OF A DEVELOPING AND THRIVING WORLD ECONOMY, WHICH IS IN THE INTEREST OF PRODUCERS AS WELL AS CONSUMERS AND SHOULD NOT BE TIED TO THE SITUATION IN THE MIDDLE EAST. THEREFORE, WE ARE PROCEEDING WITH OUR PREPARATIONS FOR THE CONSUMER-PRODUCER CONFERENCE, AND PROGRESS IS BEING MADE IN THAT DIRECTION, AND WE FIND IT ESSENTIALLY ON SCHEDULE. UNQUOTE.

5. YOU SHOULD TELL YAMANI THAT WE THINK WE ARE CLOSE ON BASIC APPROACHES TO THE CONFERENCE: WE AGREE THAT (A) WE

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SHOULD KEEP THE REPRESENTATION LIMITED TO A RELATIVELY FEW KEY COUNTRIES; (B) WE BOTH HAVE OBLIGATIONS TOWARD THE MSAS, INCLUDING PROMOTION OF THE PRODUCTION OF FERTILIZERS; (C) STABLE ECONOMIC CONDITIONS IN THE WESTERN WORLD ARE NEEDED TO ALLOW SAUDI ARABIA TO PURSUE ITS GOAL OF RAPID ECONOMIC DEVELOPMENT IN THE NEXT DECADES AND FOR THE WEST TO FEND OFF COMMUNISM/RADICALISM; (D) MEASURES FOR CONSERVATION AND THE SEARCH FOR ALTERNATIVE SOURCES

OF PETROLEUM MUST BE ACCELERATED; (E) WE MUST WORK WITHIN AND NOT OUTSIDE OF EXISTING INTERNATIONAL MONETARY MECHANISMS; AND (F) WHATEVER THE CAUSES OF THE PRESENT ENERGY PROBLEM IT CAN BE TURNED INTO AN OPPORTUNITY FOR PRODUCER/CONSUMER COLLABORATION. WE DO NOT WANT TO USE A CONFERENCE TO ASSESS BLAME ON ANY PARTICULAR PARTIES BECAUSE THIS WOULD BE UNPRODUCTIVE AND COULD LEAD TO A CONFRONTATION. RATHER, WE WANT TO LOOK TO THE FUTURE ON HOW, THROUGH CLOSE BILATERAL COOPERATION, WE CAN BRING ABOUT GENERAL COOPERATION BETWEEN PRODUCERS AND CONSUMERS.

6. AS WE SEE IT, PREPCON IS BEGINNING OF A PROCESS WHICH WILL GIVE US A BETTER BASIS FOR RELATING TO EACH OTHER ON ISSUES OF MUTUAL CONCERN. TO AVOID MISUNDERSTANDINGS, WE WOULD LIKE TO SET FORTH TO YAMANI OUR HOPES FOR THE PREPCON WHICH WE HOPE SAUDIS COULD SUPPORT: (A) AN AGENDA WHICH COVERS RECYCLING, INDUSTRIALIZATION OF PRODUCER ECONOMIES, AID TO LDCS, INWARD INVESTMENT, AND PRICING AND SECURITY OF SUPPLY; (B) RECOGNITION OF NEED FOR DIALOGUE ON OTHER RAW MATERIALS BUT MAINTAINING FOCUS OF THIS CONFERENCE ON ENERGY AND LEAVING OTHER COMMODITIES FOR DISCUSSION IN MORE APPROPRIATE FORUMS SUCH AS FORTHCOMING UNGA SPECIAL SESSION; (C) HOLDING PARTICIPATION IN PRODUCER/CONSUMER CONFERENCE TO MANAGEABLE PROPORTIONS SO THAT IT DOES NOT DETERIORATE INTO A CIRCUS; (D) A NEUTRAL SITE FOR FUTURE CONFERENCE; AND (E) AGREEING IN PRINCIPLE THAT CONFERENCE SHOULD BE HELD AS SOON AS PRACTICABLE BUT LEAVING ACTUAL DATE OPEN TO ENSURE THAT WE ARE ALL ADEQUATELY PREPARED. KISSINGER

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